

Richard Cameron
(202) 637-2225
richard.cameron@lw.com

555 Eleventh Street, N.W., Suite 1000
Washington, D.C. 20004-1304
Tel: (202) 637-2200 Fax: (202) 637-2201
www.lw.com

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December 21, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: **Ex Parte Communication, Developing Unified Intercarrier
Compensation Regime, CC Docket 01-92**

Dear Ms. Dortch:

On Tuesday, December 21, 2004, Gary M. Epstein and Richard R. Cameron of Latham & Watkins LLP, counsel for the Intercarrier Compensation Forum ("ICF"), together with Eric Einhorn of SBC Communications Inc., Charles McKee of Sprint Corporation, Joel Lubin of AT&T Corp., Tina Pidgeon of General Communication, Inc. ("GCI"), Cindy Schonhaut of Level 3 Communications, LLC ("Level 3"), and John Nakahata of Harris, Wiltshire & Grannis LLP (on behalf of GCI and Level 3), met with Chairman Michael K. Powell and his Senior Legal Advisor, Christopher Libertelli, and, in a separate meeting, with Commissioner Kathleen Q. Abernathy and her Senior Legal Advisor, Matthew Brill.

At the meeting, we used the materials attached to this letter as the basis for a discussion of the ICF's Intercarrier Compensation and Universal Service Reform Plan, filed with the Commission on October 5, 2004.

Please direct any questions concerning this matter to me at (202) 637-2225.

Very truly yours,

/s/ Richard Cameron

Richard R. Cameron

Intercarrier Compensation Forum

Universal Service Reform under the ICF Intercarrier
Compensation and Universal Service Reform Plan

December 21, 2004

Key Features of the ICF Plan

- Uniform Network Interconnection
- Uniform Rate Structure
- Uniform Rate Level
- Universal Service

The ICF Plan Is In the Public Interest

- Uniform Default Network Interconnection Rules –
 - ◆ Are an essential part of a unified intercarrier compensation system
 - ◆ Reduce interconnection disputes
 - ◆ Provide certainty and a backdrop for negotiation
- Uniform Intercarrier Compensation Rate Structure and Level –
 - ◆ Eliminate artificial incentives and opportunities for regulatory arbitrage
 - ◆ Eliminate the need for the unsustainable local-toll distinction
 - ◆ Make it easier for consumers to receive the service packages they want at affordable rates
 - ◆ Lessen pressure for economic regulation of VOIP
 - ◆ Facilitate expanded toll competition and calling scope for local service, particularly in rural areas

The ICF Plan Is In the Public Interest (cont'd)

- Universal Service Reform –

- ◆ Ensures that universal service support is specific, predictable, and sufficient, as required by Section 254
- ◆ Promotes efficient competition by making the end user who chooses the service provider directly responsible for the cost of such services (instead of indirectly responsible, as happens today)
- ◆ Eliminates inefficient implicit cross-subsidies and allows the rate integration/averaging goal of Section 254(g) to be met
- ◆ Creates correct economic incentives for broadband deployment
- ◆ Places funding for universal service on firm footing for the future at a time when interstate, end user, telecommunications revenues are shrinking and becoming more difficult to ascertain
- ◆ Makes the universal service contribution base broader and lessens the resulting burden on individual consumers, while ensuring that all providers contribute equitably to universal service

The ICF Plan Is the Only Plan that Solves Today's Most Pressing Problems

- No other proposal represents a comprehensive and operational solution to today's intercarrier compensation and universal service reform problems
- No other proposal achieves true uniformity:
 - ◆ ARIC, CBICC, and EPG would maintain originating and terminating access charges:
 - Causing rates in rural areas to be higher than in urban areas
 - Leading to the end of toll rate averaging/integration
 - Forcing carriers, to determine applicable rates, to attempt to maintain an unsustainable geographic mapping of NPA-NXXs
 - Preserving opportunities for arbitrage
 - ◆ No other plan achieves uniformity in network interconnection, a necessary prerequisite to uniform intercarrier compensation
- No other plan creates a stable funding source for new universal service funding reform will require
- The rural plans' proposal to apply the access model to the IP networks of the future is bad policy and cannot be sustained

No Other Plan Is Sustainable as a Legal or Policy Matter

- ARIC –
 - ◆ Asks the Commission to export today's broken legacy system of intercarrier compensation to tomorrow's IP-based networks
 - ◆ Unlawfully delegates federal ratesetting responsibilities to the states and fails to require states to establish uniform rates
- EPG –
 - ◆ Solely addresses rural interconnection issues
 - ◆ Fails to explain how its needlessly complicated “port and link” proposal would work
- CBICC –
 - ◆ Moves all intercarrier compensation to TELRIC rates without addressing uniformity, administrative, or jurisdictional issues
 - ◆ Fails to resolve industry-wide cost recovery or universal service issues

Summary of Key Events in the ICF Plan

Step	Year beginning July 1:	Network Interconnection	SLC Transition		Pricing Flexibility for Price Cap Carriers	Intercarrier Payments				Universal Service
			Large Carriers	CRTC's		Large Carriers		CRTC's		
						Access Charges	Non-Access	Access Charges	Non-Access	
1	2005	No Change	SLC caps rise in a 4-step transition subject to three constraints: (1) Neither the \$6.50 residential SLC cap nor the average residential SLC rate can increase by more than \$0.75/month in steps 1 and 2, or by more than \$1.00 in Steps 3 and 4. (2) No individual residential SLC rate can increase by more than \$0.95/month in Steps 1 and 2, or by more than \$1.20/month in Steps 3 and 4. (3) Other SLC caps (non-primary residential and MLB) increase only to the extent they would otherwise be below the residential SLC cap.	Between Step 1 and Step 5, residential SLC caps increase from \$6.50 to \$9.00 in \$0.50 annual increments. In Steps 1-3, other SLC caps increase only to the extent that they would otherwise be below the residential SLC cap.	Step 1 SLC pricing flexibility (subject to revenue limits, constraints to prevent shifting recovery from business to residential users, and safeguards to prevent any effect on USF).	Four equal step plan transitions all interstate and intrastate access charges to SLCs, new universal service support, and a single, uniform rate of \$0.000175 per terminating minute.	At step 1, non-access compensation rates unified at \$0.0003525 per minute. Between Step 1 and Step 4, a four-step plan transitions all non-access compensation to SLCs, new universal service support, and a single, uniform rate of \$0.000175 per terminating minute.	Four equal step plan transitions all interstate and intrastate access charges to SLCs, new universal service support, and a single, uniform rate of \$0.000175 per terminating minute.	\$0.0125 per minute default recip comp rate established for CRTC-CMRS traffic. Other non-access compensation rates unified at \$0.0003525 per minute. Four-step plan transitions all non-access compensation to SLCs, new universal service support, and a single, uniform rate of \$0.000175 per terminating minute.	<u>All at Step 1:</u> New support mechanisms (ICRM and TNRM) provide support for intercarrier compensation amounts otherwise not recoverable. Maintain rate-of-return principles for rate-of-return carriers. Cap removed from rural high cost loop support mechanism.
2	2006									
3	2007	New "Edge" rules take effect. New rates for edge-to-edge interconnection transport, transiting, and optional CRTC terminating transport take effect.						At Step 3, CRTC option to take terminating transport rates to an average of \$0.0095 per terminating minute for interconnecting carriers electing to use such transport to reach CRTC network edges.		Changes to Safety Valve Mechanism take effect. Certain rural price cap carriers gain option to elect support from non-rural mechanism.
4	2008			At Step 4, the MLB SLC cap increase to \$10.00.	Additional Step 4 SLC pricing flexibility (subject to safeguards that prevent any effect on USF), including removing end user charges from price caps.	Uniform termination rate of \$0.000175 per terminating minute. (Terminating transport rates for CRTC's preserved).				Telephone number and capacity-based unit contribution methodology replaces current interstate revenue-based system.
5	2009		All SLC caps uniform at \$10.00 (USF calculated accordingly); inflation indexing takes effect			No Change				
6	2010			(Optional) Residential SLC caps increase to \$9.50		Termination rate reduced by 50% to \$0.0000875/terminating minute. (Terminating transport rates for CRTC's preserved).				
7	2011			(Optional) Residential SLC cap increases to \$10.00		Termination rate reduced to zero. (Terminating transport rates for CRTC's preserved).				
8	2012			No Change		Termination rate remains at zero. (Terminating transport rates for CRTC's preserved).				